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Michael J. Witz

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte MICHAEL J. WITZ,
BRIAN A. LEVY,
BRIAN N. SAWYER,
DAN LIN,
And GORDON K. GUSTAFSON

Appeal 2009-007538
Application 09/599,051
Technology Center 3600

Decided: November 10, 2009

Before MURRIEL E. CRAWFORD, HUBERT C. LORIN, and
BIBHU R. MOHANTY, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Michael J. Witz, et al. (Appellants) seek our review under 35 U.S.C. § 134 of the final rejection of claims 1-12. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

SUMMARY OF DECISION

We AFFIRM.¹

THE INVENTION

The invention relates to “financial products derived from the input of a virtual community.” Specification 1:5.

There are 12 claims, all method claims, and claim 1 is the sole independent claim. Claim 1, reproduced below, is illustrative of the subject matter on appeal.

1. A machine-implemented method comprising:

receiving over a wide-area network (WAN) an indication of a preference of a user from a first population of users that form a virtual community, wherein the first population of users is identified as investment analysts, and wherein the preference from the user is a selection of an investment or an allocation for the investment that the user provides to the virtual community;

aggregating the preference into a database of previously received preferences from the first population, the aggregation being a set of preferences; and

¹ Our decision will make reference to the Appellants’ Appeal Brief (“App. Br.,” filed Feb. 1, 2007); first Reply Brief (“Reply Br. I,” filed Sep. 26, 2007); second Reply Brief (“Reply Br. II,” filed Feb. 10, 2009), and the Examiner’s Answer (“Answer,” mailed Jul. 24, 2007).

deriving a financial product for a second population of users in response to the set of preferences, the second population of users identified as investors.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Segal	6,049,783	Apr. 11, 2000
Reese	6,236,980 B1	May 22, 2001
Wallman	6,338,047 B1	Jan. 8, 2002
Phillips	6,473,084 B1	Oct. 29, 2002

“Virtual Community”, www.wikipedia.org/wiki/Virtual_community, Jun. 8, 2007. (Wikipedia)

The following rejections are before us for review:

1. Claims 1-12 are rejected under 35 U.S.C. §101 as being directed to nonstatutory subject matter.
2. Claims 1-3 are rejected under 35 U.S.C. §102(e) as being anticipated by Reese.
3. Claims 8-12 are rejected under 35 U.S.C. §103(a) as being unpatentable over Reese.
4. Claims 4 and 5 are rejected under 35 U.S.C. §103(a) as being unpatentable over Reese and Segal.
5. Claim 6 is rejected under 35 U.S.C. §103(a) as being unpatentable over Reese and Phillips.
6. Claim 7 is rejected under 35 U.S.C. §103(a) as being unpatentable over Reese and Wallman.

ISSUES

The issue of whether the Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 1-12 under 35 U.S.C. § 101 as directed to non-statutory subject matter turns on whether the claims cover non-statutory subject matter, and specifically whether the process claimed is tied to a particular apparatus.

The issue of whether the Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 1-3 under 35 U.S.C. §102(e) as being anticipated by Reese; claims 8-12 under 35 U.S.C. §103(a) as being unpatentable over Reese; claims 4 and 5 under 35 U.S.C. §103(a) as being unpatentable over Reese and Segal; claim 6 under 35 U.S.C. §103(a) as being unpatentable over Reese and Phillips; and, claim 7 under 35 U.S.C. §103(a) as being unpatentable over Reese and Wallman, turns on the claim limitations “a virtual community,” “preference from the user is a selection of an investment or an allocation for the investment that the user provides to the virtual community,” and “deriving a financial product.”

FINDINGS OF FACT

We find that the following enumerated findings of fact (FF) are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

The prior art

Reese

1. Reese relates to a security recommendation reporting system based on recommendations from various published, broadcast, or online sources. Col. 2, ll. 32-36 and col. 12, ll. 13-16.
2. Reese discloses providing recommendations to improve decision-making on a security. Col. 1, ll. 7-12.
3. It would be common knowledge to one of ordinary skill in the art that improving decision-making on a security necessarily means improving decision-making on buying and selling a security. When one buys a security based on information received, one necessarily derives a financial product, *i.e.*, the security based on that information.
4. According to the Examiner, Fig. 3 of Reese shows receiving and reporting investment security recommendations from investment analysts' sources over a WAN. Answer 4.
5. Fig. 3 depicts the reporting system as being accessible to, for example, a WAN. Col. 7, ll. 65-67.
6. According to the Examiner, col. 12, ll. 11-16 and 35-38 and Fig. 7 show indication of a preference of a user from a first population of users associated with investment analysis. Answer 4.
7. Col. 12, ll. 11-16 and 35-38 describes various sources for recommendations and inputting the recommendations in a database.
8. Fig. 7 illustrates a report with recommendations from a recommender selected by a user. Col. 8, ll. 15-16.
9. According to the Examiner, Fig. 14 and element 342, shows aggregating preferences in a database. Answer 4.

10. Element 342 in Fig. 14 represents a “Recommendation Data Set” stored in a data storage means from which recommendations can be queried. Col. 14, ll. 13-15.
11. According to the Examiner, col. 2, line 40 - col. 3, line 54 shows deriving a financial product for a second population associated with investors. Answer 4.
12. Col. 2, line 40 - col. 3, line 54 describe various objects of the invention, all involving improvements in the decision-making on a security by improving the recommendations a user receives from various sources.

PRINCIPLES OF LAW

§ 101 - Patentable Subject Matter - Process

[T]he proper inquiry under § 101 is not whether the process claim recites sufficient “physical steps,” but rather whether the claim meets the machine-or-transformation test. [fn]25 As a result, even a claim that recites “physical steps” but neither recites a particular machine or apparatus, nor transforms any article into a different state or thing, is not drawn to patent-eligible subject matter. Conversely, a claim that purportedly lacks any “physical steps” but is still tied to a machine or achieves an eligible transformation passes muster under § 101.

In re Bilski, 545 F.3d 943, 961 (Fed. Cir. 2008) (en banc).

Anticipation

“A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.” *Verdegaal Bros., Inc. v. Union Oil Co. of Cal.*, 814 F.2d 628, 631 (Fed. Cir. 1987).

Obviousness

Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’

KSR Int’l Co. v. Teleflex Inc., 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 550 U.S. at 407 (“While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.”) The Court in *Graham* further noted that evidence of secondary considerations “might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.” *Graham*, 383 U.S. at 17-18.

ANALYSIS

The rejection of claims 1-12 under § 101 as being directed to nonstatutory subject matter.

According to the Examiner, the claims are directed to nonstatutory subject matter because the process claimed is neither (1) tied to another statutory class nor (2) transforms underlying subject matter to a different state of thing. Answer 3. The Appellants disagree, arguing, in part, that the claimed process is tied to a “wide-area network (WAN)” and “database,” which the Appellants consider to be patentable subject matter. Reply Br. II 2.

We will reverse the rejection because the Examiner has failed to present a prima facie case that the process claimed is nonstatutory under § 101. While the test the Examiner articulates generally follows the *Bilski* machine-or transformation test (*see supra*) for determining whether a claimed process is statutory under § 101, the Examiner simply concluded that the claims do not pass the test. No claim construction analysis has been performed to determine whether the claims in fact fail to pass the test. *Cf. State St. Bank & Trust Co. v. Signature Fin. Group*, 149 F.3d 1368, 1370 (Fed. Cir. 1998) (“[W]hether the ... patent is invalid for failure to claim statutory subject matter under § 101[] is a matter of both claim construction and statutory construction.”)

The claimed process could be statutory if it passes the machine prong of the *Bilski* test. It would be satisfied if the claimed process is “tied to a particular machine.” *Bilski*, 545 F.3d at 954.

Here, the question is whether a “wide-area network (WAN)” and “database” are particular machines. These elements are recited in sole independent claim 1. Furthermore, the preamble of claim 1 indicates that the method is “machine-implemented.” At first blush, the process of claim 1 would appear to be tied to a machine. According to the Specification (3:4), the Internet exemplifies a WAN. A WAN, such as in the context of the Internet, generally refers to a data network system and that would include

the computers that are linked to form such a network system.² Given this understanding, a WAN would appear to be a concrete thing comprising a combination of devices. Thus it would appear to be a machine. “The Supreme Court has defined the term “machine” as “a concrete thing, consisting of parts, or of certain devices and combination of devices.” *Burr v. Duryee*, 68 U.S. (1 Wall.) 531, 570 (1863). This “includes every mechanical device or combination of mechanical powers and devices to perform some function and produce a certain effect or result.” *Corning v. Burden*, 56 U.S. 252, 267 (1854).” *In re Nuijten*, 500 F.3d 1346, 1355 (Fed. Cir. 2007).

The Examiner has not explained why the claimed process, which is tied to a WAN and appears to be a machine, does not meet the machine prong of the *Bilski* test. Because that has not been done, the Examiner has failed to make out a prima facie case that the claimed process is not a statutory process under § 101.

² “WAN” and “network” are commonly defined as follows. A “WAN” is “A commercial data network that provides data communications services for businesses and government agencies.” A “network” is “A communications, data exchange, and resource sharing system created by linking two or more computers and establishing standards, or protocols, so that they can work together. The three main types of computer networks are local area networks (LANs), metropolitan area networks (WANs), and wide area networks (WANs).” *Webster’s New World Dictionary of Computer Terms*, 8th Ed. 2000, pp. 566 and 369-370, respectively. (Entries for “WAN” and “network,” respectively).

The rejection of claims 1-3 under 35 U.S.C. §102(e) as being anticipated by Reese.

The Appellants argued claims 1-3 as a group (App. Br. 8). We select claim 1 as the representative claim for this group, and the remaining claims 2 and 3 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2007).

The Appellants argue that Reese fails to describe “a virtual community.” App. Br. 8; Reply Br. I 2-3; Reply Br. II 3-4. This concerns the first step of claim 1:

“receiving over a wide-area network (WAN) an indication of a preference of a user from a first population of users that form a virtual community, wherein the first population of users is identified as investment analysts, and wherein the preference from the user is a selection of an investment or an allocation for the investment that the user provides to the virtual community.”

Specifically, the Appellants argue that Reese does not describe a virtual community “performing or being used in the manners that are positively recited in the Appellants’ independent claim 1.” App. Br. 8. The Appellants argue that Reese provides “no indication whatsoever that the user makes a recommendation or provides an investment selection to a “virtual community” and that “[t]here is no ability at all in Reese where the user can make a selection for an investment or an allocation of an investment and provide that to the virtual community.” App. Br. 9.

The difficulty with the Appellants’ argument lies in the way claim 1 is drafted. The Appellants construe it too narrowly. For example, steps requiring a user to make a recommendation or provide an investment selection to a “virtual community” before communicating the selection over the WAN are not positively recited. Rather, as broadly reasonably construed, the “virtual community” of claim 1, comprises investment analysts, that receive particular information from a user and it is that information the

WAN receives from the “virtual community.” In other words, the WAN receives information from a “user” via the investment analysts. While the information that the WAN receives is a “preference of a user” and the preference is “a selection of an investment or an allocation for the investment that the user provides to the virtual community [*i.e.*, investment analysts],” there is nothing in the claim limiting who the “user” is or what information the virtual community provides, so as long as the information provided includes information from the user. That means the “user” in the claimed process could be a member of the group of investment analysts that form the “virtual community.” That further means the claimed method encompasses the WAN receiving information from the “virtual community” of investment analysts that is in addition to that information which is provided by the “user.” It also means the claim covers the WAN receiving the user information simultaneously to information received from the “virtual community.” The claim does not limit providing the user information to their “virtual community” *before* the “virtual community” provides the information to the WAN.

Accordingly, the broadest reasonable construction of claim 1 as it would be interpreted by one of ordinary skill in the art is that it encompasses a WAN receiving information from the “virtual community” of investment analysts, which information includes information from one of its members. Given this construction, we find that the first step of claim 1 reads on Reese’s disclosure of recommendations received over the Internet. Reese discloses various sources of financial information. FF 1 These sources normally provide information from investment analysts and often include

information, such as investment recommendations, from a particular investment analyst.

To the argument that the claimed process involves communicating a “preference from the user is a selection of an investment or an allocation for the investment that the user provides to the virtual community” and that this is a particular type of information the user provides via the “virtual community” to the WAN which is different from what Reese communicates, such a difference is rooted in content. And content is nonfunctional descriptive material. Patentable weight need not be given to descriptive material absent a new and unobvious functional relationship between the descriptive material and the substrate, of which there is no evidence in the record. *See In re Lowry*, 32 F.3d 1579, 1582-83 (Fed. Cir. 1994); *In re Ngai*, 367 F.3d 1336, 1339 (Fed. Cir. 2004). *See also Ex parte Mathias*, 84 USPQ2d 1276, 1279 (BPAI 2005) (nonprecedential) (Federal Circuit Appeal No. 2006-1103; 191 Fed. Appx. 959 (Fed. Circ. 2006) affirmed without written opinion Aug. 17, 2006).

To the argument that Reese fails to “deriv[e] a financial product,” we agree with the Examiner that this is described in Reese. Reese discloses providing information to improve decision-making on a security. FF 2. One ordinary skill in the art would understand that improving decision-making on a security necessarily means improving decision-making on buying and selling a security. When one buys a security based on information received, one necessarily derives a financial product, *i.e.*, the security based on that information. FF 3.

For the foregoing reasons, we have reviewed the Appellants' arguments but do not find them persuasive as to error in the rejection. Accordingly, we will affirm the rejection of claims 1-3.

The rejection of claims 8-12 under 35 U.S.C. §103(a) as being unpatentable over Reese.

The rejection of claims 4 and 5 under 35 U.S.C. §103(a) as being unpatentable over Reese and Segal.

The rejection of claim 6 under 35 U.S.C. §103(a) as being unpatentable over Reese and Phillips.

The rejection of claim 7 under 35 U.S.C. §103(a) as being unpatentable over Reese and Wallman.

The Appellants do not address these rejections of claims depending on claim 1 separately but rest on their arguments challenging the rejection of independent claim 1 under §102. Since we found the arguments challenging the §102 rejection unpersuasive as to error in the rejection, we reach the same conclusion as to these rejections.

CONCLUSIONS

We conclude that the Appellants have shown that the Examiner erred in rejecting claims 1-12 under 35 U.S.C. §101 as being directed to nonstatutory subject matter.

We conclude that the Appellants have not shown that the Examiner erred in rejecting claims 1-3 under 35 U.S.C. §102(e) as being anticipated by Reese; claims 8-12 under 35 U.S.C. §103(a) as being unpatentable over Reese; claims 4 and 5 under 35 U.S.C. §103(a) as being unpatentable over Reese and Segal; claim 6 under 35 U.S.C. §103(a) as being unpatentable

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over Reese and Phillips; and, claim 7 under 35 U.S.C. §103(a) as being unpatentable over Reese and Wallman.

DECISION

The decision of the Examiner to reject claims 1-12 is affirmed.

AFFIRMED

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